Conference Report

Conflict and the Corporation: Rethinking the Role of Business in Building a More Secure World

The conference on 'Conflict and Corporation – Rethinking the Role of Business in Building a More Secure World' was held on the 18th of June in London. The aim of the roundtable was to explore new ways of thinking about the interaction between global companies, global security and social responsibility. By bringing together corporate executives, security practitioners, policy-makers and academics, it sought to open a new dialogue about what is a legitimate role for international business in a world increasingly concerned with issues of peace and sustainable security for all, and to consider fresh options for both corporate and public policy.

The motivation behind the roundtable was twofold.

1. To re-examine corporate behaviour in conflict areas to gain a new understanding of the nexus between companies and local populations. Although there are numerous regimes and policy prescriptions for the engagement of companies in dangerous and insecure areas, these codes of conduct are often ignored. How can this failure be addressed by re-evaluating the role of companies in conflict zones?

2. To consider ways in which business can become a mainstream actor in peacebuilding and post-conflict reconstruction as a partner of the European Union and other multilateral actors. Given that coherence and co-ordination are seen as essential to comprehensive approaches to security, the fact that large multinational companies operate independently with frequently little interaction with other peacebuilding processes or other external actors ought to be an issue for greater policy discussion.

The aim of the roundtable was to consider these two issues within a context of a changing paradigm of security in which security challenges are becoming increasingly complex and global. TNCs have to deal with security threats like civil wars and natural catastrophes, which do not stop at national borders. Corporate actors often try to approach these issues through the concept of Corporate Social Responsibility (CSR) however CSR as a model for corporate behaviour has proven problematic in many ways –good intentions are often not followed by consequent action.

Until now, two conceptual frameworks have been used in order to analyse the behaviour of companies in conflict areas. The first approach follows a classic business model where companies are economic agents, whose relationship with local actors is based on material interest This model mainly concentrates on TNCs' profit seeking behaviour and their role as investors. The second model pictures companies as political as well as economic actors. Companies evoke spill-over effects on conflict societies, which go beyond economic issues to affect particularly human rights and the provision of key goods and services.

The concept of CSR could be said to bridge between these two models. However, both these models for framing corporate behaviour are unsatisfactory, leaving many gaps and therefore giving rise to imperfect policies. Therefore, a third framework was introduced at the roundtable, which adds a new dimension to the two traditional models: the human security approach. In contrast to the traditional security paradigm, human security focuses on the downside risks for individuals. It is not state-, but people-centred. In order to operationalise human security six principles are relevant: the primacy of human rights, the following of a bottom-up perspective, effective multilateralism, support for legitimate political authority, accountability through transparency and taking into account the regional dimensions of conflicts.

By using two different case studies - the case of Fiat's investment in the Serbian carmaker Zastava and the case of a water treatment plant built by French environment group Veolia in Lebanon, and the same group's role in developing a tramway in the Occupied Palestinian Territories – it was shown how the human security perspective can help provide a richer conceptualisation and understanding of the influence of transnational corporations (TNCs) on conflict societies. In capturing dynamics which are not visible or underproblematised in existing characterisations, a human security model builds the basis for reframing traditional discourses about inward investment, and for rethinking policy approaches towards economic reconstruction, and how TNCs can be encouraged to play a more constructive role in recreating secure and stable societies. It was proposed that companies, policy makers and civil society need to develop a new language for articulating and prescribing responsible roles for business in conflict, based on human security. As well as a lens for assessing the impact of businesses in conflict zones, the roundtable discussion focussed on how these principles might be also tools for action.

The meeting discussed the need for companies to respond to a change in the way all stakeholders perceive the role and responsibility of business. There was felt to be an extraordinary opportunity now to combine economic and social imperatives and do things differently, and that this opportunity should not be ignored. The planned publication of the final report by John Ruggie, the UN Special Representative on Business and Human Rights in June 2011, will set out a non binding framework for business responsibility and there is a strong possibility that it will establish expectations that eventually develop into hard law principles through legislation or vague norms

The pursuit of economic growth and new resources lead companies increasingly to operate in dangerous neighbourhoods including conflict areas. Companies are not immune to these conflicts, which spread over national borders and can affect their business activity in the host country. Companies have to guarantee the security of their employees abroad. Furthermore, brand reputation is overall important for business. There have been significant shifts in the corporate world, largely generationally driven, which have to do with people seeing global policy and environmental rights as key rather than marginal ethical business issues. Consumers increasingly orientate their consumption according to a company's good or bad behaviour. In addition, a new trend in the recruitment process of companies can be observed: young, skilled people are interested in how their future employer works. They question the ethical commitment of companies. In order to get the best employees, companies need to show they are socially responsible.

Participants felt that the overriding problem was one of operation and a more even implementation of social and political norms. There is a need to reconceptualise corporate responsibility, overcome the artificial and unhelpful divisions between academic and practitioner discourses and develop practical tools which would help businesses to act in sustainable ways. Implementation was particularly difficult because of the limited amount of experience within and across businesses on conflict issues. To most participants it seemed that there is too little change in corporate behaviour despite vivid discussions over the role of business in conflict societies. There is no firm response from the corporate sector to crises in their areas of engagement, despite numerous policy prescriptions.

Corporate actors are not intrinsically unethical, but there are two systematic constraints making it difficult for them to respond ethically. First, there is the management issue in companies. A good economic performance is the overall goal of corporate actors - everything else is subordinated. If the management decided to act out of an ethical, instead of a financial motivation, markets could punish them. Second, companies act with regard to competitiveness, which may create further tensions with ethical conduct. Thus in many cases ethical behaviour is seen as contradictory not complementary to financial and commercial performance and is regarded as likely to incur adverse reactions by important stakeholder groups. However it was noted that in some instances management decisions, for example taken at local level, made it easier and possible for the company to act ethically and was seen as a key enabling factor. Another consideration is that generalisation of the problem hides a wide variety of behaviour patterns and normative positions taken in response to the challenges of operating in conflict environments: each company approaches these differently from its competitors and within companies there are also different attitudes towards norms.

Several key themes emerged from the discussion:

- **Limitations of Corporate Social Responsibility (CSR)**

The discussants agreed that CSR is problematic both conceptually and operationally. Different companies have different interpretations of CSR, and there is a need for definitional clarity on this issue. At the same time, it was noted that the concept has limited relevance or resonance among local populations affected by conflict. There is a disconnect within companies which affects the implementation of CSR. Social and political issues do not move easily up the management chain from the grass roots to the boardroom. Companies promote their social activities separately from their economic ones, which reinforces the separation of corporate behaviour and economic performance. By giving certain activities a CSR label, debate and application are often inhibited. Companies should be responsible technically, commercially, socially, environmentally so that the notion of responsibility becomes all-encompassing, not a specially-labelled activity

There is also a need to move away from CSR being seen as a cost. The CSR concept also tends to lose its meaning when it is filtered through several management and organisational layers within a company and between companies and sub-contractors. The challenge is to ensure that ethical business behaviour is embedded in within the corporate image.

Not only has internal understanding of CSR policies to be improved, but also the external translation of these policies. It was agreed that CSR can be too broad an approach to tackle problems in crisis zones. There are always unforeseen events in conflict areas, which outsiders cannot control or influence. There is a need to be flexible towards local realities and companies have to work more closely with local departments and people on the ground. Only then is it possible to get an understanding of the situation in the host country and to find the right solutions to tackle problems in conflict zones. Corporate actors can avoid a top-down approach by consulting locals. Incorporation is the key to gain local support. However supporting and working with the right local actors and respecting the principle of legitimate political authority was seen as one of the key challenges for businesses in conflicted societies. Not only is it often not clear who are legitimate local actors but what the appropriate standards are.

- **Risk and Regulation**

Companies use risk as a marker for corporate strategy and behaviour, particularly in conflict environments, but the concept of risk and 'appetite for risk' was seen as a dubious lens through which to filter their engagement. Risk is usually seen in one sided terms as only affecting the company not other, eg local, stakeholders. Risk is often used as a 'pre-concept' prior to law and legally established norms, but this may skew companies' attitude to responsibility and ethical behaviour.

Integrating responsible behaviour within a discourse of risk has to start with leadership and top management who define the risk appetite. It then should concentrate on helping people on the ground make the right judgements. The internal rewards system of companies has to move away from seeing economic growth as the only success factor. Corporate responsibility has to become a generic component of each company's policy.

The roundtable believed that policy regulations are an important component in shaping and guiding the conduct of business in conflict areas, but alone they will not change corporate behaviour. Regulation alone is also insufficient because of the absence of functioning institutions and representation in conflict zones. Other avenues which could complement regulations would be improved public communication by companies, and improved opportunities for peer review of their activities in sensitive environments. The concept of being admired was proposed as a way of conditioning corporate behaviour and strategy and involving other including local constituencies in evaluating business actions.

- **Corporate responsibility as a relational issue**

It is one-sided to judge the behaviour of companies without taking into account the complex environment in which they operate. Companies working in conflict areas work with many different nexi - not just local populations. These include representative bodies at local and national levels, security forces, civil society groups, humanitarian organisations, international and multi-national organisaitons. The range of actors, and the difficulty of identifying truly representative and effective institutions make it harder to work in conflict areas than in more stable environments.

Stakeholders, consumers, host as well as home governments expect different things of companies making a prioritisation of interests difficult. The norms of responsible behaviour are not clear and they comprise a patchwork of different requirements from many different stakeholders. Companies struggle with the concept of corporate social responsibility because of this lack of clarity.

In countries where local law and regulations are weak, the situation is particularly acute and companies are often dragged into corruption. Risk taking behaviour is encouraged by weak penalties for corporate misbehaviour. Sometimes it is also the lack of support by home governments, which hinders ethical behaviour of TNCs. For example, in order not to affect diplomatic relations with a host country, governments are often reluctant to criticise their human right abuses in public. The European Union for example has often not responded to companies' pleas to tackle corruption issues on the grounds that it would damage diplomatic relations with third governments. Changing government behaviour has to be part of efforts to improve business behaviour and attitudes on the ground. Responsibility is not about CSR it is about finding sustainable ways for corporations to operate. A combination of policy, ethically-driven

action and sound business engagement will provide new models for the role of business in helping to maintain peace.

Conclusion and summary

The roundtable heard from a cross-section of corporate and civil society and policy practitioners. Although the roundtable was by no means fully representative of the wide range of views which exist. It concluded that more attention was needed to develop adequate tools to help companies develop and abide by good corporate behaviour in conflict environments and to move away from regarding corporate engagement as problematic to focussing on better ways companies could work co-operatively in conflict environments. It also identified a number of areas for future discussion:

- how to align better prevailing corporate mindsets regarding risk and social responsibility with the complex needs of actors in conflict environments
- How to address multiple and competing stakeholder expectations.
- How to deal with disconnects within companies and between companies and local actors which affect the operationalisation of norms
- The need to develop a more even balanced dialogue around corporate responsibility between governments, civil society and businesses.
- More inquiry into the positive role companies can and do play on conflict resolution and whether this is a legitimate role for business.
- In responding to Professor John Ruggie's reports to the UN Human Rights Council on Human rights and business, discussion should focus on how to balance between legislative initiatives that guarantee a level playing field between local and international businesses and soft law initiatives that can be tailored to deal with specific situations.